

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman;
Nanci E. Langley; and
Robert G. Taub

Competitive Product Prices
Inbound Air Parcel Post (at UPU Rates)
(MC2010-11)

Docket No. CP2012-3

NOTICE AND ORDER CONCERNING CHANGES IN RATES
FOR INBOUND AIR PARCEL POST AT UPU RATES

(Issued December 8, 2011)

I. INTRODUCTION

On December 6, 2011, the Postal Service filed a notice announcing changes in rates not of general applicability for Inbound Air Parcel Post at Universal Postal Union (UPU) rates with an intended effective date of January 1, 2012.¹ The Notice incorporates by reference the explanation of Inbound Air Parcel Post at UPU Rates and

¹ Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability and Application for Non-Public Treatment of Materials Filed Under Seal, December 6, 2011 (Notice).

the mechanism for setting rates contained in its request and supporting documentation filed in Docket Nos. MC2010-11 and CP2010-11.² Notice at 2.

In support of its Notice, the Postal Service filed four attachments as follows:

- Attachment 1—an application for non-public treatment of materials to maintain redacted rates and supporting documents under seal;
- Attachment 2—a redacted copy of Governors' Decision No. 09-15 which establishes prices and classifications for Inbound Air Parcel Post at UPU Rates, proposed Mail Classification Schedule language which includes a description of Inbound Air Parcel Post at UPU Rates, certification of prices in conformity with 39 U.S.C. 3633, an analysis of the procedures for setting rates, and certification of the Governors' vote;
- Attachment 3—a redacted version of the new rates; and
- Attachment 4—a certified statement required by 39 CFR 3015.5(c)(2) for Inbound Air Parcel Post at UPU rates.

The Postal Service also provided a redacted version of the supporting financial documentation as a separate Excel file.

II. BACKGROUND

The Notice states that Governors' Decision No. 09-15 established prices and classifications not of general applicability for Inbound Air Parcel Post at UPU Rates on November 16, 2009. *Id.* at 1. Air parcels comprise inbound parcels eligible to receive transportation by air rather than surface. *Id.*, Attachment 2 at 1. The rates authorized by Governors' Decision No. 09-15 when there is no contractual relationship with the tendering postal operator are the highest possible inward land rates that the United States is eligible for under the parcel post regulations. *Id.* at 2. In Order No. 362, the

² See Docket Nos. MC2010-11 and CP2010-11, Request of the United States Postal Service to Add Inbound Air Parcel Post at Universal Postal Union (UPU) Rates to the Competitive Products List, Notice of Establishment of Prices and Classifications Not of General Applicability for Inbound Air Parcel Post at UPU Rates Established in Governors' Decision No. 09-15, and Application for Non-Public Treatment of Materials Filed Under Seal, November 17, 2009 (Request).

Commission approved the addition of Inbound Air Parcel Post at UPU Rates to the competitive product list.³

The Postal Service states in its Notice that the rates in its filing comport with Governors' Decision No. 09-15 and are "the highest possible inward land rates for which the Postal Service was eligible based on inflation increases and other factors." Notice at 2-3.

In the Postal Service's Request in Docket Nos. MC2010-11 and CP2010-11, it explains the process for determining Inbound Air Parcel Post at UPU Rates. In its Request, the Postal Service indicates that the United States receives both air and surface parcels from foreign postal administrations which compensate the Postal Service for delivery of these parcels in the United States. Request at 2. It maintains that it has negotiated separate agreements for parcel rates with certain foreign posts, but most compensate it at the United States default rates for inbound parcel delivery. *Id.* Payments between postal administrations for handling and delivering parcel post are referred to as inward land rates. The Postal Service notes that inward land rates are set according to formulas in the UPU Parcel Post Regulations which constitute international law. *Id.* More specifically, the UPU Postal Operations Council establishes inward land rates.⁴ Such rates are based on a percentage of each member's inward land rate in 2004. *Id.* at 3. UPU members may qualify for percentage "bonuses" to their base rate based upon their provision of certain value-added services.⁵ *Id.* The Postal Service states it is responsible for gathering information that the UPU Postal Operations Council uses to calculate the rates, including completion of a questionnaire on service bonus eligibility and submission of annual inflation information from the Consumer Price

³ See Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

⁴ The UPU Postal Operations Council is a designated body of the UPU which is responsible for rate setting.

⁵ The Postal Service states that services such as "track and trace, home delivery, published delivery standards, and use of a common inquiry system" qualify UPU members for bonuses. *Id.* Members may also seek an inflation-related adjustment to the base rate which is capped at 5 percent per year.

Index for All Urban Consumers. *Id.* Based on this and similar information from the member posts, the UPU International Bureau publishes an annual notice establishing the postal administration's parcel rates for the following year. *Id.*

The Postal Service states that because of the unique mechanism for setting inward land rates, it chose to establish rates for inbound air parcels by reference to the Universal Postal Convention. *Id.*

In its Notice the Postal Service maintains that certain portions of the Governors' Decision, the new rates, and related financial documentation should remain under seal. Notice at 3, Attachment 1. It also asserts that its filing demonstrates compliance with 39 U.S.C. 3633. *Id.* at 3.

III. NOTICE OF FILING

The Commission establishes Docket No. CP2012-3 for consideration of matters raised by the Postal Service's Notice.

The Commission appoints James F. Callow as Public Representative in this proceeding.

Comments. Interested persons may submit comments on whether the Postal Service's filings in the captioned docket are consistent with the policies of 39 U.S.C. 3632 or 3633, or 39 CFR part 3015. Comments are due no later than December 16, 2011. The public portions of these filings can be accessed via the Commission's website (<http://www.prc.gov>).

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. CP2012-3 for consideration of the matters raised in this docket.
2. Comments by interested persons in this proceeding are due no later than December 16, 2011.

3. Pursuant to 39 U.S.C. 505, James F. Callow is appointed to serve as officer of the Commission (Public Representative) to represent the interest of the general public in this proceeding.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary